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TO RUEHC/SECSTATE WASHDC IMMEDIATE 5626
INFO RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 0901
RUEHCN/AMCONSUL CHENGDU IMMEDIATE 0506
RUEHGH/AMCONSUL GUANGZHOU IMMEDIATE 0489
RUEHHK/AMCONSUL HONG KONG IMMEDIATE 0611
RUEHUL/AMEMBASSY SEOUL PRIORITY 0051
RUEHSH/AMCONSUL SHENYANG IMMEDIATE 0513
RUEHIN/AIT TAIPEI PRIORITY 0414
RUEHKO/AMEMBASSY TOKYO PRIORITY 0099
RUEATRS/DEPT OF TREASURY WASHINGTON DC
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C O N F I D E N T I A L SECTION 01 OF 02 SHANGHAI 000163

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DEPT FOR EAP/CM, INR/B AND INR/EAP
STATE PASS USTR FOR STRATFORD, WINTER, MCCARTIN, ALTBACH, READE
TREAS FOR OASIA - DOHNER/CUSHMAN
USDOC FOR ITA/MAC - DAS KASOFF, MELCHER, MCQUEEN
NSC FOR WILDER AND TONG

E.O. 12958: DECL: X1 MANUAL REVIEW
TAGS: [PGOV](#) [PINR](#) [ECON](#) [EINV](#) [CH](#)
SUBJECT: XI JINPING TAKES THE REINS IN SHANGHAI

REF: A) SHANGHAI 101; B) SHANGHAI 23; C) BEIJING 1840

CLASSIFIED BY: Simon Schuchat , Deputy Principal Officer, ,
U.S. Consulate Shanghai.
REASON: 1.4 (b), (d)

11. (C) Summary. After months of speculation and waiting, Xi Jinping was named the new Shanghai Party Secretary on March 24. One contact assessed that Xi's transfer would also likely entail a position on the Politburo at the upcoming 17th Party Congress. Xi, a princeling with broad connections, was likely a compromise candidate and one Hu Jintao was hoping to entice into his camp. Xi also had ties to Zeng Qinghong and extensive experience in East China that made him appealing both to the Politburo and local Shanghai officials. End summary.

The Dark Horse Candidate Wins the Race

12. (C) According to a March 24 report from the Hong Kong-based PRC-owned press agency "Zhongguo Tongxun She," Central Organization Department Head He Guoqiang announced at a special meeting of Shanghai party and government officials on March 24 that former Zhejiang Party Secretary Xi Jinping was now the new Shanghai Party Secretary, and Mayor Han Zheng would no longer be the acting Party Secretary. Xinhua news agency confirmed the appointment in a terse statement that offered no details. While, there has been no official announcement of Xi's replacement, a March 24 South China Morning Post article reported that Deputy Head of the Central Organization Department Zhao Hongzhu was slated to be the next Zhejiang Party Secretary.

13. (C) Although it had been widely rumored that Xi would be promoted soon, most contacts--including some with connections at the highest levels in Zhejiang's government--believed he would be transferred to Beijing, possibly as a vice premier (Refs A and B). Only one contact, Zhou Meiyuan from Shanghai's Municipal People's Congress, had correctly predicted Xi's appointment,

citing rumors she had heard in December 2007 (Ref B). Xi himself was tight-lipped about his prospects during a March 11 meeting with the Ambassador (REF C).

14. (C) During a March 21 meeting with Nanjing University Sociology Professor Zhou Xiaohong and a March 22 meeting with Nanjing University Philosophy and Law Professor Gu Su, both men said they had also heard that Xi might take over the Shanghai position. Zhou believed, however, that Jiangsu Party Secretary Li Yuanchao or United Front Work Department Head Liu Yandong would be better choices. Gu said given the amount of rumors flying, it was impossible to tell who would be the new Shanghai Party Secretary until the decision was made. During a March 25 conversation with Poloff, Ms. Zhou assessed that Xi's promotion would likely entail a promotion to the Politburo at the 17th Party Congress. She doubted a promotion to the Politburo Standing Committee (PBSC) was likely and noted rumors that the PBSC would shrink back down to seven people at the autumn Party Congress.

Who's Man is Xi Anyway?

15. (C) Many of our contacts had speculated that Hu needed "his man" in Shanghai in order to control the situation, leading us to ask, just whose man is Xi? One unconfirmed March 25 Reuters report claimed that Xi was close to party elder Jiang Zemin and the Shanghai Faction. Ms. Zhou, however, believed Xi was more of a compromise candidate. Although not necessarily Hu's man now, Hu had supported Xi's selection in part because he hoped to use the promotion to buy Xi's allegiance. Ms. Zhou said that Xi, a 53 year-old princeling with broad party connections and the son of party elder Xi Zhongxun, would be valuable player for Hu to co-opt.

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16. (C) She added that Xi was an easy candidate for most in the Politburo to accept, noting that he knew Zeng Qinghong well, having grown up with and attended the same schools as Zeng. Xi also had considerable experience in the so-called "East China District," having served both as Deputy Party Secretary and Governor in Fujian and Party Secretary in Zhejiang. Ms. Zhou said that in considering anyone for the top position in Shanghai, the crown jewel in China's economy, the Politburo almost certainly looked at previous experience in China's dynamic coastal region as a prerequisite--something that would have automatically precluded rumored candidate Liu Yandong. Xi's experience in East China would make it easier for Shanghai officials to accept him as the new party boss, despite his never having served before in Shanghai proper. Both Ms. Zhou and Professor Gu said Xi was also moderate to conservative in his political views, making him appear as a stable, calm, and assuring figure well-matched for the current political and economic chaos clouding Shanghai following the arrest of former Party Secretary Chen Liangyu six months ago.

What of Han?

17. (C) The question remains of what will become of Mayor Han Zheng at the next Party Congress. The unconfirmed Reuters report claimed that Han would be replaced as Mayor by current Anhui Party Secretary and Hu protege Guo Jinlong as a balance to Jiang's choice for Shanghai Party Secretary. Zhou, however, believed that Han would remain in place as Mayor and Deputy Party Secretary of Shanghai. She opined replacing him would be too destabilizing for Shanghai's economic and political situations. Ms. Zhou did not believe Han would oppose Xi's promotion. (Comment: Post finds the news of Guo's alleged transfer suspicious, given that it has not been picked up elsewhere and that it would mean a de facto demotion for Guo. End comment.)

Comment

18. (C) Xi served in Fujian from 1985 to 2002 during the height of the infamous Yuanhua/Xiamen smuggling scandal--one of the largest ever uncovered in modern China's history. That he not only emerged unscathed from the scandal but has continued to advance through the ranks pays tribute to his ability, as well as his protected princeling status and the respect afforded his father.

19. (C) Now that a Party Secretary has been chosen for Shanghai, the city can begin to move on from the Chen Liangyu scandal. His experience in running two of the China's economically dynamic provinces bodes well for Shanghai's economic future. Whether this will burnish his chances of promotion to a central level or politburo standing committee depends on how rapidly Shanghai is able to recover its political importance.
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